

VZCZCXRO2489
PP RUEHGR
DE RUEHSP #0295/01 0671811
ZNR UUUUU ZZH
P 081811Z MAR 06
FM AMEMBASSY PORT OF SPAIN
TO RUEHC/SECSTATE WASHDC PRIORITY 6518
INFO RHMCSUU/DEPT OF ENERGY WASHINGTON DC
RUEHCV/AMEMBASSY CARACAS 3557
RUEHKO/AMEMBASSY TOKYO 0066
RUCNCOM/EC CARICOM COLLECTIVE

UNCLAS SECTION 01 OF 02 PORT OF SPAIN 000295

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E.O. 12958: N/A
TAGS: [EPET](#) [ETRD](#) [ECIN](#) [TD](#)
SUBJECT: TRINIDAD ABOUT-FACE ON PETROCARIBE AND CARICOM

REF: (A) POS 217; (B) POS 39 (C) 04 POS 1388

SENSITIVE BUT UNCLASSIFIED

¶1. (U) SUMMARY: Trinidad's opposition to Petrocaribe softened at the February 9-10 CARICOM summit, as it agreed to lifting the CARICOM common external tariff so other member states could go ahead with their individual agreements with Venezuela. One reason why T&T acquiesced is its interest in joint gas production with Venezuela. Another is a possible CARICOM partial scope trade agreement with the U.S., something T&T proposed bilaterally in 2004 (ref c). End summary.

¶2. (U) Trinidad & Tobago has been standing outside as its fellow member countries in CARICOM rush in to embrace the Venezuela Petrocaribe offer for petroleum under concessional terms. Media reports have described T&T for months as being in opposition to participation by other CARICOM countries in the scheme. For its part, GOTT has never declared that it was in opposition to Petrocaribe, but rather needed to study it further.

¶3. (U) At the heads of government meeting last month in Port of Spain (ref A), this evident opposition of T&T appears to have dissipated. On February 10, leaders stated in their joint communique that they "welcomed the willingness of Trinidad and Tobago to facilitate the PetroCaribe Agreement, particularly through its indication of support for the application for a suspension of the Common External Tariff in that regard."

MYSTERIES OF CARICOM

¶4. (U) There was little elaboration at the summit of what led the CARICOM members back to a position of harmony. It came barely a month after Manning stated at another CARICOM meeting (ref B) that countries embracing Petrocaribe risked pushing private companies that have traditionally handled oil storage to quit the region.

¶5. (SBU) Post inquired with the prime minister's department about the new position following the HOG meeting. Staffers there told us that CARICOM countries would go ahead with their own arrangements, now that all countries agreed to remove the Common External Tariff (CET) as an obstacle to importing oil from Venezuela. CARICOM members understood that T&T would not be available for them to turn to if they needed to

seek alternate suppliers in future. (NOTE: Petrotrin, the national oil company in T&T, is in the midst of a multi-year refinery upgrade that will position it to produce more gasoline for the U.S. market.) Manning, as current chairman of CARICOM (through June) had a mandate to speak for CARICOM with Venezuela on Petrocaribe. However, T&T would not be making an approach to Venezuela. Rather, it would be holding off while it "waits for a sign" from Venezuela.

REASONS NOT TO OPPOSE PETROCARIBE

¶6. (U) Two issues may have moved T&T back into alignment. One is the ongoing process toward "unitizing" (sharing) straddling gas reserves along the maritime boundary off Trinidad's southern coast. On this issue, technical discussions have been underway for months, and post understands that work is nearly complete. It is in the interest of T&T to obtain a political agreement with Venezuela to enable T&T to move toward producing its share of that gas (estimated as 1.5 trillion cubic feet or more), and hopefully produce some Venezuelan gas into LNG for export. Manning declared as recently as late January that T&T intends to build a future liquefaction production train that would be fueled with Venezuelan gas.

¶7. (U) A second motivation for T&T acquiescence on Petrocaribe may be its interest in a CARICOM approach to the USG for a "partial scope" trade agreement. The reported purpose would be for allowing duty-free entry into the USA for petrochemical products made in

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Trinidad. The Ambassador inquired subsequently with Trade Minister Valley, whose office sent us a list of products on February 22 that T&T contemplated being covered by a partial scope agreement. That list, which we sent to WHA/CAR, comprised the following products: methanol; urea; ammonia; UAN [urea ammonium nitrate]; direct reduced iron (HBI/DRI), iron & steel and steel products; aluminum and related products; melamine; ethanol; ethylene, polyethylene and derived products; propylene, polypropylene and derived products; LNG; petroleum products; EDC [ethylene dichloride]; PVC; and information technology-derived products and services. This list is similar to but longer than one the GOTT conveyed to us in a request to USTR in 2004 (ref C). Post does not know if that message was ever answered. CARICOM members seem likely to discuss this issue more July 2-5 at the annual summit in St. Kitts & Nevis.

¶8. (U) COMMENT: As was the case before the CARICOM meeting, Petrocaribe does not seize the constant attention of either the media or the business community here. The economy of T&T is large enough that the economic impact of Petrocaribe is blunted by strong domestic growth, fueled by record energy revenues that are fueling a construction boom. This makes T&T an anomaly in an economic community typified by energy poor countries with limited economic prospects. More significant is the perceived impact Petrocaribe has had on the integrity of CARICOM. As a firm believer in CARICOM, the GOTT apparently moved to set aside its differences in exchange for a commitment from its CARICOM partners to work toward a limited trade agreement with the U.S. While seemingly favorable only to T&T, such an agreement could be a stepping-stone to an eventual US/CARICOM FTA.

AUSTIN